

# Ginnie Mae Multifamily Training Program

**Compliance Reviews**

**June 23, 2004**

**Washington, D.C.**

# Ginnie Mae Multifamily Training Program Compliance Reviews

## Introduction

Cheryl Patton Malloy, Vice President, Multifamily, Mortgage  
Bankers Association of America

## Opening Remarks

Paulette Griffin, Director, Multifamily Division, Ginnie Mae Office  
of Mortgage Backed Securities

## Presenters

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Mortgage Backed Securities

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# Compliance Reviews – Agenda

- Background
- Value of compliance reviews
- Objectives of Compliance Reviews
- Compliance reviews approach - overview
- Test areas
- Most Frequent Findings for Multifamily Issuers
- Document Custodian - Quick Overview
- Case studies
- Wrap-up / discussion

## Background

### Compliance Reviews – Background

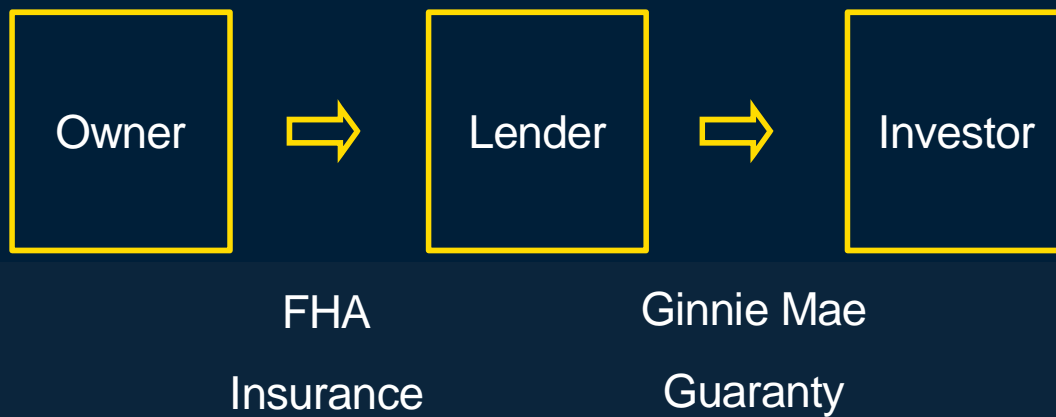
- The Guaranty Agreement is the contract between Ginnie Mae and the Issuer
- Ginnie Mae guarantees timely payment to Security Holders
- Ginnie Mae is authorized by contract and legislation to perform compliance reviews
- Compliance reviews:
  - Test Issuer's ability to pay Security Holders
  - Helps Ginnie Mae fulfill its obligation to Security Holders
  - Provides Ginnie Mae with additional information to manage program risk and minimize losses
  - Encourages uniformity in mortgage servicing
- Ginnie Mae or its agents can audit or review the Issuer's records

The Ginnie Mae Guaranty Agreement is the contract between Ginnie Mae and the Issuer which establishes the rights and obligations of each party in connection with Ginnie Mae Mortgage Backed Securities (MBS) pools and the related securities. By entering into this contract, the Issuer agrees to comply with Ginnie Mae regulations.

Under the Guaranty Agreement Ginnie Mae guarantees that all required payments to Security Holders will be made in full, and in a timely manner. Ginnie Mae is authorized by contract and by legislation to perform compliance reviews to ensure that Issuers participating in the MBS Program are complying with acceptable program standards. These reviews test the Issuer's ability to pay Security Holders, and also assist the Issuers with possible improvements in their operations. Compliance reviews examine Issuer-prepared written policies and procedures, accounting reports, loan servicing records, and evidence of remittances to the Security Holders.

The compliance review process helps Ginnie Mae fulfill its obligation to Security Holders as outlined in the Guaranty Agreement by determining that Security Holders are receiving all payments to which they are entitled. The compliance review process also provides Ginnie Mae with additional information to manage program risk efficiently and effectively and to help minimize losses to Ginnie Mae. This process also assists Ginnie Mae in promoting uniformity in mortgage servicing, which benefits the Security Holders, Ginnie Mae and the industry as a whole.

## Compliance Reviews – Role of Ginnie Mae Guaranty



# Compliance Reviews – Ginnie Mae's Monitoring "Triangle"



## Value Of Compliance Reviews

- Promotes uniformity of mortgage servicing
- Gives Ginnie Mae confidence that participants are meeting their responsibilities and minimizing risk of default and loss
- Reduces overall program risk
- Provides knowledge transfer to Issuer personnel
- Improves long term program compliance
- Maintains market confidence

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## Value of Compliance Reviews

The compliance review process is an integral component of the Ginnie Mae MBS Program. The review process permits Ginnie Mae to test how the Issuer performs its obligations under the terms of the Guaranty Agreements, the Ginnie Mae Guide, and All Participants Memos.

An important function of compliance reviews is that they promote uniformity within the Issuer community. Ginnie Mae securities remain attractive investments when the underlying collateral is perceived by investors as carrying the same level of risk from pool to pool. This benefits the Security Holders, the industry and Ginnie Mae.

The compliance review process gives Ginnie Mae confidence that participants in the Program are meeting their responsibilities in a manner that minimizes risk of Issuer default and loss to Ginnie Mae. This process reduces overall risk to the MBS Program. A value-added factor is the availability of Ginnie Mae representatives to the Issuers at their operational sites to discuss servicing methods.

The compliance review process results in considerable improvement in the quality of portfolio servicing, documentation, and accuracy of monthly accounting reports. The process helps reduce the likelihood of Ginnie Mae being called upon to fund its guarantee. This leads to greater market confidence, marketability and value of the securities.

## Objectives of Compliance Reviews

### Objectives Of Compliance Reviews

- Reassure Ginnie Mae that Issuers operate within acceptable program standards
- Determine if:
  - Issuer has ability to advance funds
  - Adequate controls are in place
  - Industry standards and Ginnie Mae guidelines are followed
  - Personnel have sufficient level of understanding
  - Documentation and procedures support reports

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Compliance reviews are designed to reassure Ginnie Mae that its Issuers are operating within acceptable program standards that minimize risk to Ginnie Mae.

The compliance review process is designed to benefit the Security Holders, Ginnie Mae, and the Issuers.

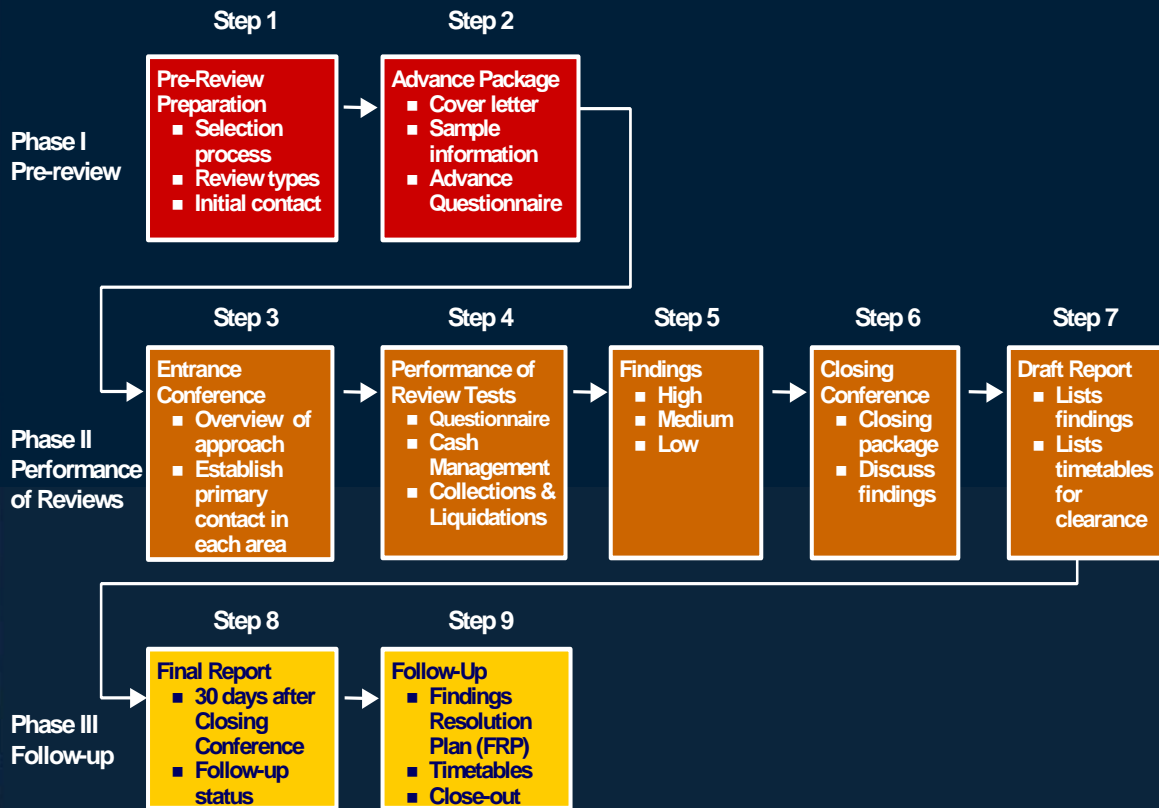
The Guaranty Agreement states that the Issuer shall establish and maintain such controls and procedures necessary to enable it to accurately project whether or not it will have sufficient funds to meet payments required under the Securities.

Compliance reviews are designed to determine the following:

- The Issuer demonstrates the ability to advance its own funds when required so that payments to Security Holders are made in a timely manner.
- The Issuer provides adequate controls on funds from collection through the payment to Security Holders.
- The Issuer follows industry standards and Ginnie Mae Program specific steps to minimize the risk of loss to Ginnie Mae.
- The Issuer has the necessary level of understanding of, and performance within, the Ginnie Mae Program guidelines.
- The Issuer's documentation and procedures support the information as presented on the reports required by Ginnie Mae and/or its agents.



# Compliance Review Process Map



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## Compliance Reviews– Selection Process

- Designed to review in greater detail Issuers that could pose a higher risk
- Issuers are reviewed at least every three years
- Previous review results
- Portfolio performance
  - High delinquencies
  - Rapid Growth
- Management changes
- IPA findings
- Referral by Ginnie Mae Account Executive

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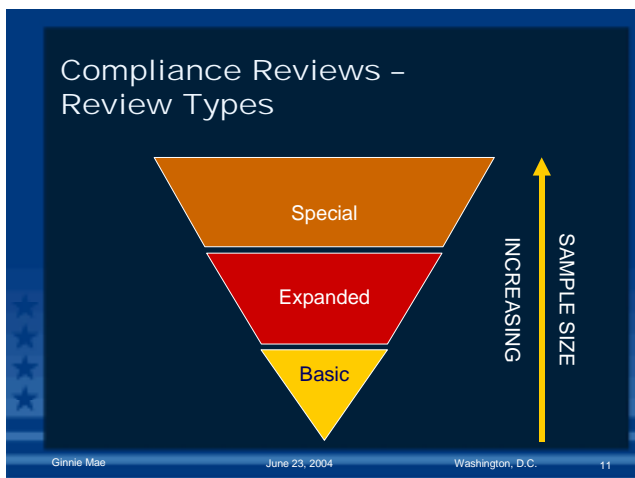
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## Step 1 – Pre-Review Preparation - Selection Process

The selection process is designed to review in greater detail Issuers that could pose a higher risk potential to Ginnie Mae. Some of the criteria used in the selection process are summarized in this section.

An Issuer is reviewed at least once every three years. Results from previous reviews are a reliable indicator of the Issuer's compliance and internal controls, and therefore are a significant factor in the selection process. An Issuer with High Risk findings in its most recent review would probably be reviewed the following year, not three years later. Other important indicators are delinquencies, sudden changes in portfolio performance, substantial portfolio growth, changes in management, and Independent Public Accountant (IPA) findings. Additional factors such as late recertification of pools, problems in monthly reporting, and information received by Ginnie Mae from others that indicates potential financial and/or servicing problems with the Issuer could result in a request for a review.

For example, if an Issuer's MBS portfolio grew by 100% or more in a short time, Ginnie Mae would want to be assured that the quality of servicing did not suffer. If the CEO, CFO and VP of Servicing were replaced all at once, Ginnie Mae would have some concerns of the Issuer's ability to maintain the quality of its operation. An Issuer whose net worth, as shown in its annual financial statements, dropped 50% from the previous year may be a candidate for a review.



### Step 1 – Pre-Review Preparation- Review Types

The Compliance Review Agent (Field Review Team) develops and Ginnie Mae approves the list of Issuers to be reviewed. In addition, Ginnie Mae may also request the Field Review Team to schedule a review of an Issuer.

There are three different levels of review:

**Special** –This level of review is for Issuers that have the greatest perceived level of risk to Ginnie Mae.

**Expanded** –This level of review is for Issuers that have above average risk ratings.

**Basic** –This level of review is for Issuers that have moderate risk ratings.

In all levels of reviews, an in-depth review is done to determine that information from primary documents (i.e., trial balance) is reflected on reports sent to Ginnie Mae and that the Issuer is performing all duties in accordance with the Program guidelines. The difference between the three levels of review is the sample size of individual tests, such as the number of preselected pools, the total number of loans, and the total deposits and withdrawals selected for review.

## Compliance Reviews – Initial Contact

- Discuss with Issuer four weeks before review
  - Type of review and information needed
  - Date and length of review
  - Issuer personnel names, addresses and phone numbers
  - Availability of key personnel
  - Access to work space and equipment
- Follow-up call one week before review

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## Step 1 – Pre-Review Preparation- Initial Contact

The pre-review preparation process is designed to permit reviews of Issuers to be conducted in the most efficient manner. The goal is to perform an effective examination of the Issuer's activities, without interfering with the Issuer's ability to conduct day-to-day operations.

At least **four** weeks prior to the visit, the Field Review Scheduler calls the Issuer's contact person to schedule the compliance review\*. If the Issuer is subserviced, the review is coordinated directly with the subservicer after the Issuer is contacted. The following is discussed:

- ☐ The proposed level of review
  - Timely completion of the Advance Questionnaire (refer to Step 2 – Advance Package for details)
  - Availability of key personnel and notification to senior management of the planned visit
  - The correctness of all information on the Issuer Fact Sheet, such as names addresses, contact person, CEO, titles, fax and other phone numbers
- ☐ Exact review dates, arrival times and accommodations
  - Administrative requirements such as access to work space, telephone and fax

The Field Review Team Leader will contact the Issuer by telephone at least **one** week prior to the scheduled review to reconfirm the dates, the estimated time of arrival and arrangements previously discussed. At that time the Field Review Team Leader also confirms that the Issuer will have all requested documentation and the Advance Questionnaire completed and available when the compliance review team arrives.

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\* At times, Ginnie Mae may request that a review be scheduled to begin as soon as possible. When this happens, the Field Review Scheduler will contact the Issuer to inform it of the review. In such a case, the Advance Package will be sent by e-mail, courier, or fax.

## Compliance Reviews – Advance Package

- Sent to Issuer three weeks before review
- Advance Package
  - Cover letter
  - List of pre selected pools
  - Advance Questionnaire
  - List of documentation needed
    - Forms HUD 11710A; 11710D; 11710E
    - Trial balance
    - Custodial account reconciliations
    - Collection efforts
    - Any other internal servicing documentation deemed necessary to complete test

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## Step 2 – Advance Package

The advance package is the most important part of the pre-review preparation. It provides the compliance review team with much of the information that will be tested during the review. The Issuer's timely completion of this material and the availability of the requested information are critical to the performance of the review within the scheduled time.

At least **three** weeks prior to the review, the Field Review Scheduler will send the advance package to the Issuer via certified-receipt overnight delivery. If the Issuer is subserviced, a copy of the advance package is also sent to the subservicer.

The advance package ([Exhibit II](#)) contains the following:

**Cover Letter:** The cover letter confirms each item discussed in the initial telephone conversation including the date of the review, the review type, and the preselected pools.

### List of documentation needed:

- The Trial Balances of the preselected pools. Although certain tests concentrate on the activity of the preselected pools, many other tests are done at a loan level and bank account level.
- Internal Servicing documentation for the reporting month to be tested, and the months prior and subsequent to the test month. For example, if June 2004 is selected, the accounting activity examined will be as of the May, June, and July 2004 cut-off dates.
- Documents requested include: form HUD [11710A](#) for each preselected pool; form HUD [11710D](#) for each month tested; form HUD [11710E](#) for **all** Multifamily loans and all loans in preselected Single Family pools liquidated within the 12 months preceding the test month; reconciliations and related supporting documentation of each Ginnie Mae related bank account, including collections clearing account(s); delinquent loan collection efforts; and any other internal servicing documentation deemed necessary to complete a test.

As stated in the cover letter, although some samples are selected prior to the onsite field review, many other samples are selected immediately after the entrance conference. It is therefore imperative that the documentation requested be available to the field review team at the entrance conference.

## Compliance Reviews – Advance Package

- Sent to Issuer three weeks before review
- Advance Package
  - Cover letter
  - List of pre selected pools
  - Advance Questionnaire
  - List of documentation needed
    - Forms HUD 11710A; 11710D; 11710E
    - Trial balance
    - Custodial account reconciliations
    - Collection efforts
    - Any other internal servicing documentation deemed necessary to complete test

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## Step 2 – Advance Package Cont.

**Advance Questionnaire:** The questionnaire must be completed before the arrival of the review team. Among other items, the questionnaire provides Ginnie Mae with information pertaining to:

- ☐ Issuer's eligibility requirements
- ☐ Management of internal controls
- ☐ Operational procedures
- ☐ Data management

**Field review information:** The name, phone number and address of the field review contact person are included. The Issuer should call that person if there are any questions about the Advance Questionnaire, required documentation, or the review process.

## Compliance Reviews – Entrance Conference

- First meeting between the field review team and Issuer personnel
- Discuss compliance review
  - Type of review
  - Length of review
  - Key areas that the review team will test
  - Documentation needed by review team
- Issuer provides the completed Advance Questionnaire and requested documentation to the review team. ✨
- See Exhibit II

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### Step 3 – Entrance Conference

The entrance conference is the first step of the compliance review conducted on-site.

The Field Review Team, as well as key Issuer representatives, including senior level Issuer personnel, should be present. If the portfolio is subserviced, the field review is conducted at the subservicer's office. At a minimum, an Issuer representative should participate in the Entrance Conference by telephone. An important objective of the Entrance Conference is to establish a cooperative working relationship between both parties.

#### Field Review Team

- ☐ Field Review Team members are introduced
- ☐ The compliance review approach is discussed in detail
- ☐ Items covered include the type of review, the timing, and the areas to be reviewed

#### Issuer

- ☐ Provides the Field Review team with the documentation requested in the advance package, including the completed Advance Questionnaire
- ☐ Identifies the point of contact for each area to be reviewed in order to facilitate the review process

## Compliance Reviews – Performance Of Review Tests

- Major areas of compliance review
  - Information in the Advance Questionnaire
  - Cash Management
  - Collections and Liquidations
- Keep Issuer informed of potential findings

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### Step 4– Performance of Review Tests

This process includes all activities and work performed while the field team is at the Issuer's office. The availability of the completed Advance Questionnaire and other requested information helps the Field Review Team conduct the review efficiently. The availability of appropriate Issuer representatives to respond to questions is absolutely essential.

In addition to matters covered in the Advance Questionnaire, the specific areas that are reviewed include:

1. Cash Management
  - ☐ Reconciliation of Mortgage Collateral
  - ☐ Test of expected P&I
  - ☐ Collection clearing accounts
  - ☐ P&I custodial accounts
  - ☐ Corporate advances
  - ☐ P&I disbursement accounts
  - ☐ T&I custodial accounts
  - ☐ Reserve for Replacement and other special escrow accounts
  - ☐ Payments to Security Holders
2. Collections and Liquidations
  - ☐ Delinquency reporting and the Issuer's collection processes
  - ☐ Bankruptcy
  - ☐ Foreclosures/Assignments
  - ☐ Claims
  - ☐ Liquidations
  - ☐ Financial Statements and UCC filings



## Step 5 – Findings



**Compliance Reviews – Findings**

- **High Risk**
  - Immediate risk to Ginnie Mae, Security Holders and Issuers
  - Must be cleared within 48 hours
- **Medium Risk**
  - Substantial impact to Ginnie Mae, Security Holders and Issuers
  - Must be cleared within 30 days
- **Low Risk**
  - Minimal impact to Ginnie Mae, Security Holders and Issuers
  - Must be cleared within 90 days
- A reoccurring High Risk or Medium Risk Finding will result in an additional High Risk Finding.

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The compliance review may result in the identification of potential findings. The field team will discuss them with the Issuer to establish whether an actual finding exists and if additional documentation is needed to explain the matter. If the compliance review team leader determines that there is a High Risk finding, it will be formally raised after discussion with the field team's Manager, along with any Medium and/or Low Risk findings noted. In addition, the Field Review Manager will notify Ginnie Mae of the existence of unusual issues. In such a case, Ginnie Mae may expand the testing.

Findings are coded numerically and classified into three categories:

**High Risk Findings** are findings that have the potential to cause an immediate risk to Ginnie Mae, Security Holders, and Issuers. The Field Review Manager discusses these findings with the Ginnie Mae Account Executive within 24 hours of the determination that a High Risk finding does exist. An example of a high risk finding is: P&I funds not deposited into a lettered custodial account as required. High Risk findings must be cleared within 48 hours.

**Medium Risk Findings** are findings that could have a substantial impact on Ginnie Mae, Security Holders, and Issuers. An example of a Medium Risk finding is: Overdrafts in the collections clearing account. Medium Risk findings must be cleared within 30 days.

**Low Risk Findings** result in a lesser impact on Ginnie Mae, Security Holders, and Issuers. An example of a Low Risk finding is: the P&I Custodial bank account reconciliation was not prepared within 30 days of the monthly reporting cut-off day. Low Risk findings must be cleared within 90 days.

A **reoccurring** High Risk finding or Medium Risk Finding will result in an additional High Risk Finding. This is done in order to emphasize to the recipients of the field review Report that the Issuer has the same High Risk or Medium Risk finding that it had in the previous field review, either after it was resolved or referred to Ginnie Mae.

Even though a matter may have already been cleared by the time of the review, a finding may still be raised which will require the Issuer to describe in its response the action it has taken to avoid reoccurrence. The reason is that most Findings are the result of a procedural issue that needs correction. For example, an overdraft in the collections clearing account might be the result of the timing of the debits and credits into the account. If the funds are moved out of the account before they are deposited, an overdraft may occur.

At times, the field team is unable to conduct a required test that could result in a High Risk finding because the Issuer cannot provide the necessary information. In that case, Ginnie Mae may require the Issuer to have its own independent accountant perform the test or have a field team return to perform the test at the Issuer's expense.

## Compliance Reviews – Closing Conference

- Review findings with Issuer management
- Management signs closing conference package
- Overview of the follow-up process
- Discuss Findings Resolution Plan (FRP) requirements

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### Step 6 – Closing Conference

The closing conference is the final on-site step of the compliance review process. The purpose of the closing conference is to discuss findings and the timelines for clearing the findings with the Issuer.

The Field Review Team, as well as key Issuer representatives, including senior level Issuer personnel, should be present. If the portfolio is subserviced, the Closing Conference is conducted with subservicer personnel and the Issuer should, at a minimum, participate by telephone. A Field Review Findings form, detailing each finding, is provided for the Issuer's management representative to sign and to comment on, whether the Issuer agrees fully, partially, or disagrees with the findings. The Issuer's comments are included in the attachments to the final report subsequently sent to the Issuer and Ginnie Mae. During the conference the Field Team Leader will provide an overview of the follow-up process, including a discussion of the Findings Resolution Plan (FRP) requirements.

## Step 7 – Draft Report

The draft report is delivered at the completion of the on-site compliance review. Its purpose is to provide both the Issuer and Ginnie Mae with information about the results of the review. The Issuer is expected to immediately begin responding to the findings based on the draft report, without waiting for the final report to be issued.



Compliance Reviews –  
Draft Report

- Dates and level of review
- Contents
  - Findings
  - Timetables for clearance
- Distribution

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The Field Team is required to send the draft report to Ginnie Mae within one week of the Closing Conference. It is usually provided to the Issuer at the time of the Closing Conference. The report contains a list of findings by category, along with a timetable for clearing the findings. The draft report is addressed to the Issuer's senior operations manager and copied to the Issuer's field review contact person and to the assigned Ginnie Mae Account Executive.

## Compliance Reviews – Final Report

- Issued 30 days from the closing conference
- Summarizes
  - Review
  - Closing Conference
  - Findings
  - Current status of Finding Resolution Plan
- Indicates if the review is closed out
- Distribution

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## Step 8 – Final Report

The final report is issued within 30 days of the Closing Conference. It summarizes the findings, timetables and corrective actions to be taken by the Issuer to resolve the findings. A complete copy of the Field Review Findings is attached to the final report.

The final report is substantially identical to the draft report, but it may contain corrections noted by the Field Review Manager and/or follow-up.

For reviews performed by the Field Review Team itself, if the Issuer has provided the Follow-up Team with the documentation necessary to clear all the findings, or if no further action is required, the final report will state that and the review will be closed out. If not, the Follow-up status note will describe the status of each Finding and what is needed to close out the review. The final report for reviews performed by a subcontractor will not contain follow-up information.

The final report is sent to the Issuer's senior operations manager, the Issuer's point of contact for the field review and to the assigned Ginnie Mae Account Executive.

## Compliance Reviews – Follow-up Process

- Tracks and documents Issuer compliance
- Findings Resolution Plan
  - Describes findings cleared
  - Contains procedures adopted to avoid reoccurrence
  - Contains supporting documentation for High Risk Findings
  - Proposed by Issuer to resolve findings
  - Reviewed for approval by Field Review Follow-up Team
- Review follow-up completed
  - All findings cleared (final report or approval letter)
  - After 120 days (referred to Ginnie Mae for action)

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## Step 9 – Follow-up Process

At the Closing Conference, the Field Review Team Leader describes the requirement to develop and submit a Findings Resolutions Plan (FRP). The FRP documents the Issuer's correction of identified findings and actions taken to ensure future compliance. The FRP is sent to the Field Review Follow-up Team for review and approval.

The FRP, submitted by the Issuer to the Field Review Follow-up Team, is a document that explains the findings from the Issuer's point of view and puts forth the actions the Issuer will take to correct the problems found and prevent reoccurrence. It includes supporting documentation to show that High Risk findings have been cleared. If necessary, the Follow-up Team will discuss the findings and the FRP with the Issuer to facilitate the resolution of the findings. The FRP should contain certain specific information, as follows:

For High Risk findings:

- Explanation of what was done to clear the finding, with supporting documentation
- Description of procedures changed or put in place to ensure that the finding will not reoccur

For Medium Risk findings:

- Explanation of what was done to clear the finding, with supporting documentation optional
- Description of procedures changed or put in place to ensure that the finding will not reoccur

For Low Risk findings: An FRP is not required for non-recurring Low Risk Findings. However, the Issuer must still clear the findings by establishing procedures to correct and prevent reoccurrence. For Low Risk findings that are recurring (from the previous review), the requirements are the same as for Medium Risk findings.

The Follow-up Team will review the FRP and either approve the resolution for each Finding, or request additional information. Findings are often resolved subsequent to the issuance of the final report. In that case, the Follow-up Team will send an "approval letter" to the Issuer, with a copy to Ginnie Mae. The letter will advise the Issuer that the review is complete and that no further action is required.

For subcontracted compliance reviews, the final report will not contain follow-up information. An approval letter will be issued when the follow-up is complete.

Any findings not resolved within 120 days of the Closing Conference will be referred to Ginnie Mae for action. In that case, no further follow-up activity will be performed by the Follow-up Team.

## Step 9 – Follow-up Process (continued) Findings Resolution Plan

Compliance Reviews –  
Findings Resolution Plan (FRP)

Timetables for FRP and resolving findings:

- **High Risk findings**
  - Must be cleared within 48 hours (or two business days)
  - FRP must be submitted within seven calendar days
  - Final close-out within 21 days
- **Medium Risk findings**
  - Must be cleared within 30 days
  - FRP submitted within 30 days
  - Final close-out within 45 days
- **Low Risk findings**
  - Must be cleared within 90 days
  - For findings recurring from last review
    - FRP submitted within 90 days
    - Final close-out within 120 days

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The findings should be resolved and the Follow-up Team should receive the FRP from the Issuer in accordance with the established timetable. The due dates are calendar days measured from the date of the Closing Conference. The period for clearing High Risk findings is two business days and the FRP is due seven calendar days after the Closing Conference.

**High Risk** Findings must be cleared within 48 hours. All High Risk Findings require an FRP which must be submitted to the Follow-up Team within seven calendar days. Final close-out of high risk findings must take place within 21 days.

**Medium Risk** Findings must be cleared within 30 days. All Medium Risk findings require an FRP which must be submitted within 30 calendar days. Final close-out must take place within 45 days.

**Low Risk** Findings must be cleared within 90 days. Only Low Risk findings that are reoccurring from the previous review require an FRP. The FRP must be submitted within 90 calendar days and close-out must take place within 120 days.

While these are the latest dates by which the action must be completed, we strongly encourage Issuers to resolve all findings as quickly as possible. It is far more efficient for an Issuer to deal with problems raised by the on-site review immediately.

An Issuer “clears” a finding by fixing the problem, if possible. For example, to “clear” an overdraft, the Issuer deposits funds. To “close-out” a finding, and Issuer must “clear” the finding, put procedures in place that will prevent reoccurrence of the finding, include that information (with any required documentation) in its FRP, and submit to the Follow-up Team.



## Cash Management

As mentioned before, payments to Security Holders must be made in a timely manner. A major reason for the compliance review is to test the Issuer's controls and procedures that ensure that custodial funds are handled properly and that Securities Holder payments are made on time every month.

One of the main areas reviewed during the field review is Cash Management. Many of the tests in this area are based on monthly accounting data reported to Ginnie Mae. The monthly accounting reports, such as the form HUD 11710A are prepared by the Issuer. The Issuer must be able to provide the Field Review Team with those accounting reports. Differences between the accounting reports and the Issuer's internal servicing system will most likely result in a finding. It is recommended that differences identified by the Issuer be documented and steps taken to correct the cause of the difference. This documentation can be further considered and tested by the Field Review Team. The following areas are tested in detail:

**Reconciliation of Mortgage Collateral to Securities Outstanding:** Ginnie Mae requires that the remaining principal balances of the mortgages provide sufficient collateral for the outstanding securities. Every month, and for each pool, Issuers must prepare a reconciliation of the mortgage collateral to securities outstanding. Differences noted in this reconciliation, referred to as over/under collateralizations, must be handled by the Issuer in accordance with the Ginnie Mae Guide. For example, an undercollateralization above the tolerance amount must be funded **immediately** to the P&I custodial account in order to pass through to securities holders the amount of the difference and bring the pool back into balance. Overcollateralizations in excess of \$100 can only be recovered using unscheduled receipts of principal. The corresponding form HUD-11710A must be adjusted accordingly. Because failure to adjust over and under collateralized securities will result in inaccurate amortization of the securities, deviations from this reconciliation process will result in a Finding. Refer to the Ginnie Mae Mortgage Backed Securities Accounting Manual for instructions and examples.

**Test of Expected P&I:** This test identifies a minimum dollar amount expected in the P&I account for any particular pool as of a given cutoff date. It also confirms the accuracy of the P&I balance reported in Section 5. Block B2 of the form HUD 11710A report. The test must be performed by the Issuer at each monthly cutoff. Any shortfalls identified in the test must be funded to the appropriate P&I custodial account **immediately**.

For both of these processes, "immediately" means immediately upon discovery. However, because most of the adjustments have to be done for the current reporting month, the Issuer must make sure their procedures require the process to be completed before the final monthly accounting reports are due.

## Compliance Reviews – Cash Management

- Reconciliation of mortgage collateral to securities outstanding
- Test of expected P&I
- Collection clearing accounts
- Custodial accounts
  - P&I custodial accounts
  - P&I disbursement accounts
  - T&I custodial accounts
  - Reserve for replacement accounts and other special escrow accounts
- Corporate advances

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## Cash Management (continued)

**Collection Clearing Accounts:** Ginnie Mae permits the use of a clearing account to process Ginnie Mae related funds, provided that the funds are transferred to the respective Principal & Interest (P&I), Taxes and Insurance (T&I) custodial accounts and other escrow or reserve accounts within 24 hours of receipt (48 hours if the Issuer uses ACH processing). The account title must be styled as either a “Trustee” or “Custodial” account. Overdrafts in this or any other bank account used to process Ginnie Mae related funds are not permitted. Reconciliations must be performed within 30 days of the bank statement cutoff date. Any bank account established to receive Ginnie Mae related funds, such as a claims account, will be tested as a collections account.

The use of General Ledger accounts by Issuers that are a commercial bank, must be approved by Ginnie Mae. The same requirements applicable to a collection clearing bank account are applicable to the general ledger account.

**Custodial Accounts:** There are various custodial bank accounts required in the servicing of pools: P&I custodial account (and disbursement account if applicable); T&I custodial account, Reserve for Replacement account, and other special escrow accounts. These different types of funds must be maintained in separate bank accounts and not commingled. These accounts are called “**lettered**” accounts. This means each account must be covered by a current **Master Agreement**, form HUD 11709 for P&I custodial funds and form HUD 11720 for escrow funds. Except for the collections clearing accounts, **all** other custodial accounts holding funds for Ginnie Mae related pools must be covered by a Master Agreement. Master Agreements must be current, and the Issuer must **maintain evidence** that the forms were either renewed or certified by January 1<sup>st</sup>. In addition, the bank account must be **titled exactly** as specified in the Master Agreement, with **no deviations allowed**. It is the responsibility of the Issuer to make sure that the account is titled correctly. The main source of this information is the signature card. However, if the signature card is not available to the Field Review team, the bank account statement will be used to test the title of the account. Note that only the Issuer’s name should appear before the word “Trustee” in forms HUD 11709 and 11720, and in the bank account title. A project’s name should never be listed before the word “Trustee”.



## Compliance Reviews – Cash Management

- Reconciliation of mortgage collateral to securities outstanding
- Test of expected P&I
- Collection clearing accounts
- Custodial accounts
  - P&I custodial accounts
  - P&I disbursement accounts
  - T&I custodial accounts
  - Reserve for replacement accounts and other special escrow accounts
- Corporate advances

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## Cash Management (continued)

Overdrafts are **not allowed** under any circumstances. Each account must be reconciled **within 30 days** of the monthly reporting cutoff date. This is evidenced by the **preparer's signature and date on the reconciliation**. All adjusting items/reconciling items must be **completely resolved within one of the next two reporting months**. For example, a difference is identified for the first time on the January reconciliation. The difference must be cleared sometime during March, at the latest, in order to meet the two reporting period requirement. Deposits in transit are different than reconciling items and must be cleared within a day or two.

Deposits and withdrawals are selected for review from all custodial accounts. Withdrawals are traced to final disposition. With automation, this may be a time consuming task. Therefore Issuers must make sure that internal servicing systems are capable of producing reports that capture audit trails for deposits and withdrawals. Selections of deposits and withdrawals are done immediately after the field review entrance conference, provided all of the Ginnie Mae related bank account statements are ready for the team.

In addition to the above, the following requirements must be met for each type of account:

**P&I Custodial Account(s):** This must be a non-interest bearing account. The account should be **reconciled to the "Total Funds Other Than Escrow" in form HUD 11710D** on a monthly basis, and differences documented, researched and cleared within two reporting months. Note that the sum of all forms HUD [11710A](#), Section 5B.2 and 5B.3 equal Total Funds Other Than Escrow in form HUD [11710D](#).

**P&I Disbursement Account(s):** An Issuer has the option of using a P&I Disbursement Account. If a P&I Disbursement account is used, the Issuer must ensure that funds are transferred into this account **on time** in order to avoid overdrafts.

**T&I Custodial Account(s):** This can be an interest bearing account. However, any interest earnings must be disposed of in accordance with the requirements of FHA and any other requirements of state or federal law and regulations. The Issuer must make timely payment of taxes and insurance, and must advance its own funds immediately to cover shortfalls in individual escrows. Unlike P&I funds, where excess funds for pools containing more than one loan can be used to make Security Holder payments, escrow funds from one loan cannot be used to cover shortages of escrow in another loan. In addition to the T&I bank account(s), individual loans are also tested to determine whether escrow analyses were performed.

## Compliance Reviews – Cash Management

- Reconciliation of mortgage collateral to securities outstanding
- Test of expected P&I
- Collection clearing accounts
- Custodial accounts
  - P&I custodial accounts
  - P&I disbursement accounts
  - T&I custodial accounts
  - Reserve for replacement accounts and other special escrow accounts
- Corporate advances

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## Cash Management (continued)

**Reserve for Replacement Account(s):** As with the T&I account, Reserve for Replacement funds (RFR) can be in interest bearing accounts and interest disposed of in accordance with FHA requirements. RFR funds should not be commingled with T&I funds, and should not be reported in the forms HUD 11710A and 11710D. An Issuer may have one RFR account for all Multifamily pools, or have one bank account for each pool. As stated previously, **EACH** bank account must have a current form HUD 11720 and the title of the account must be exactly as stated in the form. Only the Issuer's name must be listed in front of the word "Trustee". A project's name should never be listed before the word "Trustee". If RFR funds are maintained in Certificates of deposit, US T-bills, notes, bonds and other US Government obligations, a form HUD 11720 is not applicable, and the trustee-name styling must be "*Name of Issuer and/or Ginnie Mae, as their interests may appear*".

**Corporate Advances:** There are several situations where an Issuer must advance corporate funds into the custodial accounts. To make the Security Holder payment, an Issuer must determine no later than remittance day, if an advance is needed and calculate the advance. Corporate advances are also required when a loan is repurchased out of a pool. Unlike corporate advances needed as a result of delinquent P&I, **advances to repurchase a loan are due at the time the loan is liquidated**, not on remittance day. Corporate advances into the T&I custodial account are also required to cover escrow shortfalls and must be tracked on a loan by loan basis.

## Compliance Reviews – Payments To Security Holders

- Timely remittance to Security Holders
- Issuers must maintain
  - Security Holders Register
  - Issuer's Monthly Remittance Advice, HUD 11714, if applicable
  - Monthly Accounting Report, form HUD 11710D
  - Cancelled checks

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**Security Holder Payment:** The compliance review examines the Issuer's records on Security Holders payments to determine whether the payments are made timely and whether the payments are in agreement with the form HUD [11710D](#). In addition, each Issuer of Ginnie Mae I Securities must maintain a register of Security Holders for each Ginnie Mae I pool for which the Issuer is responsible. The register must contain the pool number, certificate number if applicable, Security Holder's name and address, tax ID number, original principal amount of the security, date of issue, interest rate, initial payment date, and maturity date. The Issuer is responsible for updating the register for any changes received prior to the date of the investor remittances through to the seventh day of each month and must notify the Central Payment and Transfer Agent (CPTA) in writing of any changes or corrections.

**Compliance Reviews –  
Collections and Liquidations**

- **Delinquency reporting and Issuer collections**
  - Follow Guaranty Agency regulations, Guaranty Agreement and Industry standards
  - High delinquency means Issuer risk
  - Monitored by Ginnie Mae
  - Review areas include
    - Accurate reporting, forms HUD 11710A, 11710E and 11710D
    - Internal servicing records
    - Collection efforts
    - Policies and Procedures

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## Collections and Liquidations

The Ginnie Mae Guaranty Agreement requires that the Issuer pursue collections, foreclose and dispose of properties, file claims, and liquidate delinquent loans in a timely manner. The Issuer is also required to report to Ginnie Mae on the status of delinquent loans in the pools using form HUD 11710A-Issuer's Monthly Accounting Report and form HUD 11710D-Issuer's Monthly Summary Report.

An Issuer must service delinquent mortgages and manage assignments and foreclosures in accordance with applicable servicing and claims collection requirements of FHA, the applicable Guaranty Agreement, and accepted mortgage lending and servicing practices, ethics, and standards. The compliance review examines the main aspects of loan delinquencies, including forbearance agreements, foreclosure procedures, assignments, submission of claims, and loan liquidations. Collection efforts are carefully reviewed to determine that required actions were taken on time. For example, on an assignment, the compliance review will determine whether FHA was notified of the intent to assign within 75 days of default.

**Delinquency reporting and Issuer collection processes:** Delinquency rates are monitored by Ginnie Mae based on information provided by the Issuers in the forms HUD 11710A, 11710E and 11710D. If an Issuer fails to maintain delinquency rates below the threshold levels established by Ginnie Mae, sanctions, such as denial of further commitment authority, can be imposed on the Issuer by Ginnie Mae. Within delinquency reporting, tests are performed to determine whether delinquency information reported by the Issuer to Ginnie Mae agrees with the Issuer's internal servicing records. This is done on the preselected pools as well as total portfolio delinquency. Delinquencies reported on forms HUD 11710A for the preselected pools and form HUD 11710D for the total portfolio are compared to the trial balance. With respect to the collection process, individual delinquent loans are selected for testing to determine that the agency's collection requirements are followed and documented.

## Collections and Liquidations (continued)

### Compliance Reviews – Collections And Liquidations

- Bankruptcy procedures
- Forbearance Agreements
  - Approval obtained
- Foreclosure/assignments/Deed in lieu of foreclosure
  - Timeliness
- Claims
  - Timely filing
  - Deposit of proceeds
  - Remittance to Security Holders

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**Bankruptcies:** Ginnie Mae requires Issuers to adhere to agency regulations, as well as state and federal bankruptcy laws. Issuers must take whatever actions are necessary to protect their interest as first lien holder and to preserve the security. Those actions would include filing the appropriate documents (including lift-of-stay) to assure their interest is adequately protected. The compliance review examines individual loans to determine that agency requirements were followed and actions are taken by the Issuer in a timely manner.

**Forbearance Agreements:** Forbearance agreements are permitted under the provisions allowed by the agency. Loans with forbearance agreements must have a fully executed and current agreement on file. For multifamily pools, the Issuer must also obtain approval from Ginnie Mae prior to the implementation of a forbearance agreement. Compliance reviews examine these agreements and test adherence to the terms of the agreement.

**Foreclosures/Assignments:** When an incurable default occurs, the Issuer has the option to assign the loan, foreclose or accept a Deed-in-Lieu of foreclosure. With foreclosures and Deeds-in-Lieu, the Issuer must first acquire marketable title to the real estate. In the case of multifamily pools, assignment of the loan is more likely. The Issuer's foreclosure/assignment activities are examined to determine that agency requirements as well as the Issuer's own procedures were followed.

**Claims:** Claims that are paid, outstanding or denied are examined during the compliance review to determine that agency requirements for the submission of claims were followed, and that the Issuer is monitoring the status of the claims. In addition, claim receipts are tested to determine funds were deposited into the custodial account within 24 hours of receipt, and passed through to the Security Holders for the corresponding month.

## Collections and Liquidations (continued)

### Compliance Reviews – Collections And Liquidations

- Liquidations
  - Definition
  - Reasons for removal
  - Deposit into P&I custodial account
    - Payoff funds
    - Repurchase funds
    - Claim funds
  - Liquidation schedule (HUD 11710E)
  - P&I Shortfalls
- Financial statements and UCC filings

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**Liquidations:** A liquidation is any transaction that reduces the unpaid principal balance of a loan to zero. Loans may be liquidated as a result of mortgagor payoff, foreclosure/assignment, or repurchase. The Issuer must pass through to the Security Holders all principal and interest payments received from the mortgagor for a mortgage payoff, from the Issuer for a loan repurchased, or from the agency for a claim filing. In addition, the Issuer must fund P&I shortfalls as necessary. During a compliance review, individual liquidations are examined. Funds received or required to be advanced, are tested to determine that the funds were deposited into the custodial account within 24 hours of receipt or repurchase, that the transactions were posted to the loans, and the reason code reported on the form HUD 11710E agrees with the loan history. Various information from Form HUD 11710E, such as Date Removed, Payment Due Date, Liquidation Balance, is also agreed to internal servicing records.

**Financial Statements and UCC Filings:** Issuers must make every effort to obtain current financial statements for each project loan in order to monitor the financial conditions of the project. Compliance reviews examines the Issuer's procedures for review and management of project financial statements. In addition, UCC filings are examined to determine whether the Issuer is monitoring and maintaining current UCC filings.

## Compliance Reviews– Document Custodians

- Certifies pool and holds loan documents
- Contract between Issuer and Document Custodian
  - Master Custodial Agreement, form HUD 11715
  - Subject to Ginnie Mae rules
- Special types of Document Custodian relationships
- Factors that affect scheduling of reviews

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## Document Custodians

Document custodians receive and review documents for loans to be pooled in Ginnie Mae MBS, provide pool certifications to Ginnie Mae's agent and retain the documents for safekeeping. The three types of files required to be maintained and tracked by the custodian are the Issuer Master File, Pool Master File, and Loan Document File.

The document custodian works under a contract with the Issuer. The parties must execute form HUD 11715, the Master Custodial Agreement, file it with Ginnie Mae's Pool Processing Agent (PPA) and, annually, either file a new form showing changes or certify that there are no changes. While an Issuer may use more than one document custodian, the documents for each pool may be held by only one document custodian.

The document custodian must be regulated by one of the following authorities: Federal Deposit Insurance Corporation, Federal Reserve System, Office of the Comptroller of the Currency, Office of Thrift Supervision, or the National Credit Union Administration.

The Issuer provides the document custodian with loan files containing the required documents as listed in the Ginnie Mae Guide. The Issuer is responsible for resolving any defects in the documents identified by the document custodian.

Ginnie Mae's obligation to Security Holders specifies that the pool of outstanding securities will be collateralized by final mortgage loan documents certified by a document custodian that meets the requirements in the Guide. The document custodian reviews the documents for correctness and completion, and submits the required pool certifications to the PPA. The document custodian must maintain physical and custodial control of the pool and loan documents on behalf of Issuers, Ginnie Mae and Security Holders for the life of the pooled mortgages or until its custodial responsibilities are transferred to another document custodian by the Issuer or Ginnie Mae.

Document custodians may be affiliated with Issuers or use "self-custody". For example, under self-custody a commercial bank issues Ginnie Mae MBS and uses its Trust Department as the document custodian. In this situation, the document custodian must meet special requirements listed in the Ginnie Mae Guide.

Ginnie Mae reserves the right to examine every aspect of a high-risk Issuer's performance including the collateral documents. Inadequate or nonexistent quality control of accounting procedures may extend to the loan documents as well. A review of one party can occur as a result of the other party's performance. Factors considered include affiliation between the parties, Issuer's perceived risk level, a high percentage of pools past the recertification due date and rapid portfolio growth. For example, when a mortgage servicing portfolio undergoes rapid expansion, Ginnie Mae wants to be assured that the Issuer and document custodian both have the capacity to maintain a high level of quality performance.

## Account Title Requirements

### 1. Savings, checking, and insured money market accounts:

- For P&I Custodial and P&I Disbursement Accounts (form HUD 11709):

“**Name of Issuer** Trustee of Principal and Interest Custodial Account or Principal and Interest Disbursement Account for Various Ginnie Mae Mortgage-Backed Securities Pools or Loan Packages”. You may add the **Subservicer’s name** and/or **Project name** after the account name.

- T&I Custodial accounts (form HUD 11720):

“**Name of Issuer** Trustee of Servicer’s Escrow Custodial Account for Various Mortgagors, Ginnie Mae Mortgage-Backed Securities”. You may add the **Subservicer’s name** and/or **Project name** after the account name.

- Reserve for replacement accounts (form HUD 11720):

➤ For an account that includes more than one project:

“**Name of Issuer** Trustee of Servicer’s Escrow Custodial Account for Various Mortgagor Ginnie Mae Mortgage-Backed Securities”.

➤ For a single project:

“**Name of Issuer** Trustee of Servicer’s Escrow Custodial Account for **name of project** Ginnie Mae Mortgage-Backed Securities”.

### 2. Certificates of deposit. U.S. treasury bills, notes, bonds, and other obligations of the U.S. Government:

- “**Name of Issuer** and/or Ginnie Mae, as their interests may appear (or) ATIMA”. You may add **Project name** after the account name.



# **EXHIBIT I**

## **CASE STUDIES**

# **Ginnie Mae Multifamily Issuer Training**

## **Compliance Reviews**

### **CASE STUDY I**

#### Exercise

The following scenario contains errors. Identify these errors and provide the correct answers.

#### Assumptions

Ginnie Mae Issuer, ABC Mortgage Company  
Ginnie Mae I Multifamily Pools

The morning mail on March 4, 2004, brought several mortgagor loan payments to the Loan Servicing department of ABC Mortgage company. All of these payments were deposited that day into the collections clearing account, titled ABC Mortgage Company. On March 10, 2004, the Ginnie Mae Principal and Interest, Taxes and Insurance and Reserve for Replacement payments were transferred to the respective custodial accounts.

On March 31, 2004, ABC cut off their pools for the month – the last business day is their established cutoff date. The delinquency data listed two loans, one that was one month past due and the other one two months delinquent. The investor accounting manager, the same person responsible for remitting to security holders, received the March 31, 2004 bank statement for the Principal and Interest custodial account, reflecting a zero ending balance. The manager reviewed the statement and initialed next to the ending balance as indication that the account was reconciled.

Security holder remittances the following month were drafted from the P&I Custodial account on April 15, 2004. ABC transferred funds from the reserve for replacement account on April 16, 2004 to cover any shortages.

# Ginnie Mae Multifamily Issuer Training

## Compliance Reviews

### CASE STUDY II

#### Exercise

The following scenarios contain errors. Identify these errors and provide the correct answers.

#### Assumption

ABC Mortgage Company had a profitable year. The Board of Directors decide they can continue to increase their profits by reorganizing and moving their Ginnie Mae multifamily portfolio to their affiliate bank, ABC Mortgage Bank. They receive approval from Ginnie Mae to transfer their pools to the new Issuer name and number. As part of the process of transferring their Ginnie Mae portfolio to their new Issuer name and number, and the process of servicing begins, the following steps are taken:

#### Situation #1

Since all Ginnie Mae Reserve for Replacement and Special accounts are already held at ABC Mortgage Bank, whose ratings fell this quarter, and are styled under the project's name and escrow type, at year end the existing forms HUD 11720 are renewed stating no changes.

#### Situation #2

As mortgagor payments are received, the payments are split and funds are deposited to the P&I and T&I custodial accounts. At the end of each month the Reserve for Replacement and Special Escrow funds are moved from the T&I account into their appropriate escrow account. At the end of each quarter, the bank statements for the Reserve for Replacement and Special Escrow accounts are reviewed for activity and then placed in a file.

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#### Situation #3

Loan #101 was three months in default at the time of transfer. The Collections Manager for ABC Mortgage Bank contacts the borrower and determines that the reason for default is a temporary one, and the borrower has requested forbearance. The Collections Manager prepares the forbearance agreement for a period of six months and sends it to the borrower for their signature.

# **EXHIBIT II**

## **ADVANCE PACKAGE**

\_\_\_\_\_(date)\_\_\_\_\_

\_\_\_\_\_(name)\_\_\_\_\_

\_\_\_\_\_(address)\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Issuer Identification #** \_\_\_\_\_

Dear \_\_\_\_\_:

This letter is a follow up to the telephone call regarding the upcoming field review. To confirm our conversation, we plan to perform procedures for a **Type of** \_\_\_\_\_ **Review** of the Ginnie Mae mortgage-backed securities and associated internal documents for which your company is a participating Issuer **beginning** \_\_\_\_\_ **and ending** \_\_\_\_\_.

Please make sure that key officers and employees are aware of our visit so they will be available to meet with and assist our staff. Although part of the sample selections will be made and communicated to you prior to the start of the field review, please note that certain samples will need to be taken during the field review. It is therefore imperative that the documentation requested with this letter be available upon the field review team's arrival. Sufficient workspace to accommodate the files and staff, as well as ready access to a telephone and analog modem hookup, will assist our staff in completing its work expeditiously.

The following pools have been selected for review for the reporting month of **Month:**

**Pool #**

**Pool #**

**Pool #**










**Pool #**

**Pool #**











**Pool #**

The specific tests we will conduct fall into the following categories - Cash Management and Collections and Liquidations. The specific documentation required for the tests, to be available at the Entrance Conference, is noted below by test category.





## CASH MANAGEMENT

-  Reconciliation of Mortgage Loan Collateral to Ginnie Mae Securities Outstanding
-  Test of Expected P&I
-  Collections Clearing Account
-  P&I Custodial Account(s) and Reporting
-  Issuer Advances
-  P&I Disbursement Account (if used)
-  Payment to Security Holders
-  T&I Custodial Accounts and Escrow Analysis
-  Reserve for Replacement Accounts

### Documentation Required






-  Forms HUD [11710A](#) and [11710D](#) for the month tested, the month immediately preceding and the month subsequent to the test month
-  Mortgage Loan Trial Balance as of the test month cutoff date
-  Other internal records supporting reported P&I on [11710A](#)'s (i.e. *GNMA Pool Reconciliation of Principal and Calculation of Minimum Cash Required report*)
-  Bank statements and reconciliation support for all Ginnie Mae P&I Custodial, P&I Disbursement, T&I Custodial, Collections Clearing and any other Escrow account related to Ginnie Mae pools for the month tested as well as the months immediately preceding and subsequent to the month tested
-  Reserve for Replacement (RFR) bank account statements for the preselected pools (listed on the front page of this letter) plus the two RFR bank accounts with the largest balances, if not already provided as part of the preselected pools, for the month tested, the month subsequent to the test month, and the ten-month period preceding the month tested (plus reconciliation statements for each if not already provided)
-  Form HUD [11709](#) and/or form [11720](#) for each custodial, reserve, and disbursement account
-  Corporate advance ledger with sufficient backup detail to track specific advances and recoveries to the custodial accounts
-  Securities Holder Register (plus internal policies governing updates to register)
-  Forms HUD [11714](#) for the preselected pools corresponding to the securities holders payments occurring during the test month (if applicable)
-  Canceled security holder checks for the securities holders remittances occurring during the test month, or wire transfer log (plus internal policies governing identification and proper handling of uncleared or returned funds)

## COLLECTIONS AND LIQUIDATIONS

-  Delinquency Reporting and Issuer Collection Processes
-  Modification Agreements and Bankruptcy Procedures
-  Foreclosure and Assignment Procedures
-  Claim Filing and Payment Pass-Through Procedures

## Loan Liquidation and Reporting

### Documentation Required

-  Forms HUD [11710E](#) for any loan liquidated in the preceding twelve months ending with month tested
-  For each loan liquidated within the twelve month period referenced above, a copy of the posting effectively liquidating the loan from the Ginnie Mae pool
-  Written procedures governing Modifications Agreements and handling of Bankruptcies
-  Written procedures for handling foreclosures and assignments (plus any tracking logs associated with these actions)
-  Written procedures for claims filing and monitoring processes

In addition, please have available upon the field teams arrival the following information related to Ginnie Mae pools:

- ☒ A list of delinquent loans as of the test month cutoff date including pool number, loan number, pool type, last paid installment date, loan status (i.e., pending modification, in process of assignment, bankruptcy)
- ☒ A list of all loans that have been assigned within the last twelve months, ending with the test month, including pool number and loan number.
- ☒ A list of all loans that have a claim outstanding, including pool number and loan number.
- ☒ A list of all loans that have had a claim paid or denied within the last twelve months

Even if not specified for a given test, your company's written policies and procedures governing your practices will also need to be available for review.

Finally, the enclosed Advance Questionnaire should be completed prior to the beginning of the review and given to the field review team at the Entrance Conference. An overview of the field review process is also enclosed. Please share it with your staff as applicable.

Should you have any questions about these requests or arrangements, call me at (918) 477-8858. We appreciate your assistance in this review process.

Sincerely,

Deloitte & Touche LLP

Melissa Caperton  
Manager, Field Reviews

Enclosures



## ADVANCE QUESTIONNAIRE

### Management and Operations:

1. Using Form AQ-1, provide the names of officers and senior management of the Company. Indicate yes or no whether the individual has been in the current position for at least two years.
2. If the Issuer has any Single Family Pools, are procedures in place to track compliance with the three delinquency indicators (DQ3+, DQ2+, DQP) as defined in the Ginnie Mae Guide? Explain briefly.
3. If Issuer has any Multifamily Pools, have any calculation of allowances for loss reserves for any multifamily pools changed since submission of the IPA (Independent Public Audit)?  
If so, please provide a copy of the previous and the revised calculations.
4. Does the Issuer maintain procedures to determine the financial integrity of the securities dealers, brokers and investors with whom business is conducted, including reviewing financial statements, obtaining business references and all other requirements in the Ginnie Mae Mortgage-Backed Securities Guide?
5. Do internal management controls exist to ensure coordination of delayed delivery contract activities, controls on the Issuer's market positions, and the competence and integrity of staff in accordance with the Ginnie Mae Mortgage-Backed Securities Guide?
6. If Issuer uses a Subservicer to assist in servicing its Ginnie Mae pools, complete Form AQ-2 for each Subservicer. Please provide a copy of the related form HUD-11707, Master Servicing Agreement, for each subservicer used.
7. Complete Form AQ-3 for any related or affiliated Ginnie Mae Issuers. If a Cross-Default Agreement is in effect, please provide a copy of the executed agreement.

## ADVANCE QUESTIONNAIRE

8. Has ownership status of Issuer changed (i.e., merged or acquired) since IPAs were provided?
- If so, is the other party a Ginnie Mae Issuer?
  - If you acquired or merged in another entity, list name of acquired entity, its ID numbers, and pool numbers.
    - List by pool number the current certification status of each of these pools.
    - Note which pools are past certification or recertification deadlines.
  - If you were acquired or merged, provide name and address of new entity and phone number and name of contact point for new entity.
  - Provide the number of pools by which the portfolio has increased, both in absolute and percent terms by means of merger or acquisition.
  - Provide the number of pools by which the portfolio has decreased, both in absolute and percent terms by means of merger or acquisition.
  - If the primary regulator has changed, provide the name of the new regulator.
9. Has Issuer's portfolio (number of pools) increased or decreased since last IPA (Independent Public Audit) report by means other than a merger or acquisition (i.e., pools acquired/sold)?
- If yes, provide the number of pools acquired/sold and associated percentages by pool numbers.
  - List by pool number the pools past due on (re)certification deadlines, how many months past due, and the Document Custodian ID number.
  - Provide an updated listing of the pools added or sold.
10. Has the financial condition of the Issuer changed materially since the last IPA?
- If so, in what way and attributable to what events?
  - Does Issuer still meet primary regulator's minimum capital requirements? If not, provide amount of capital deficiency, name of regulator and date of notice.

## ADVANCE QUESTIONNAIRE

11. Describe the status of any other material adverse changes in the Issuer's financial position or operations since last IPA, such as:
  - Loss of Fannie Mae servicing or approval?
  - Loss of Freddie Mac servicing or approval?
  - Loss of FHA-approved Mortgagee in good standing?
  - Probationary action by:
    - FHA
    - VA
    - Fannie Mae
    - Freddie Mac
    - RHS
    - Primary regulator
    - Other investors
12. Does an IPA perform on your behalf an annual compliance audit on site of your Document Custodian(s) in accordance with IG 2000.4? If yes, please provide a copy of the most recent IPA report. If not, list ID number and name of these Document Custodian(s).
13. Using form AQ-4, list ID number and name of all Document Custodians. If Issuer is directly or indirectly affiliated with an institution acting as its Document Custodian, also list the relation to Issuer of the institution.
14. Please provide copies of your errors & omissions and fidelity bond insurance policies and Ginnie Mae loss payable endorsements.
15. Please provide documentation for any findings from the prior review that were referred to Ginnie Mae, confirming that the finding(s) has been cleared. The documentation should include (1) an explanation on how the finding(s) was resolved, (2) the backup showing the item(s) cleared and (3) the procedures that have been put in place to prevent reoccurrence.

## ADVANCE QUESTIONNAIRE

### Cash Management:

1. Are all Ginnie Mae related bank account reconciliations *prepared* by persons not involved in cash disbursement or cash receipt functions?
2. Are all bank account reconciliations *reviewed* by persons not involved in cash disbursement or cash receipt functions?
3. Provide a copy of your internal written policy which establishes requirements for Issuer's staff to make a reasonable effort to locate security holders with checks outstanding for more than 3 months.
4. For each Custodial bank account transferred during the last year, from one institution to another or consolidated within the same institution, provide copy of Ginnie Mae's approval letter.
5. Complete Form AQ-5 indicating Institutions holding Ginnie Mae related P&I Custodial and P&I Disbursement funds.
6. Complete Form AQ-6 indicating Institutions holding Ginnie Mae related T&I Custodial and Other Escrow funds.
7. Complete Form AQ-7 indicating Institutions used for Payment Clearing and Lockbox processing of all Ginnie Mae related funds.

### Data Management

1. Complete Form AQ-8 if data processing is done "in-house", OR
2. Complete Form AQ-9 if a Service Bureau provides data processing.

**GINNIE MAE  
ADVANCE QUESTIONNAIRE FORM AQ-1  
ISSUER PORTFOLIO INFORMATION  
LISTING OF KEY OFFICERS**

ISSUER NAME: \_\_\_\_\_

ISSUER NUMBER: \_\_\_\_\_

DATE PREPARED: \_\_\_\_\_

List the officers for the Issuer as of the date prepared for the titles listed below. Answer yes or no for individual being in the position for at least two years.

\* If individual has been in position less than two years, note the reason for the turnover.

YES/NO	NAME:	TITLE:
_____	_____	Chairman of the Board
_____	_____	President
_____	_____	Chief Financial Officer *
_____	_____	Controller/Treasurer *
_____	_____	Senior Ginnie Mae Marketing Officer
_____	_____	Senior Loan Production Officer
_____	_____	Loan Administration or Servicing Manager (Senior loan servicing officer) *
_____	_____	Investor Accounting Manager *
_____	_____	Foreclosure Manager *
_____	_____	Bankruptcy Manager *
_____	_____	Collections Manager *
_____	_____	Customer Service Manager *
_____	_____	Escrow Service Manager *
_____	_____	REO Manager *
_____	_____	Payoffs/Assumptions Manager *

**GINNIE MAE  
ADVANCE QUESTIONNAIRE FORM AQ-2  
SUBSERVICERS USED BY ISSUER**

ISSUER NAME: \_\_\_\_\_

ISSUER NUMBER: \_\_\_\_\_

DATE PREAPRED: \_\_\_\_\_

NOTE:

All Subservicers that the Issuer uses to service its Ginnie Mae portfolio should be listed. Please provide a copy of the related Form HUD 11707, Servicing Agreement, for each Issuer listed below.

In the cross-default agreement column, note "yes" to indicate that a cross-default agreement has been executed with Ginnie Mae between a related/affiliated Subservicer and the issuer being tested. If a cross-default agreement is not in force, note with a "no." If a cross-default agreement is in effect, please provide a copy of the agreement to the field team.

[illegible]

**GINNIE MAE  
ADVANCE QUESTIONNAIRE FORM AQ-3  
RELATED OR AFFILIATED GINNIE MAE ISSUERS**

ISSUER NAME:

ISSUER NUMBER:

DATE PREPARED:

This schedule should be completed by the Issuer as of the date prepared. List below all Ginnie Mae Issuers that are related or affiliated to the identified Ginnie Mae Issuer number being tested.

If a cross - default agreement is in effect, please provide copy of the agreement. In the cross - default agreement column, note “yes” to indicate that a cross - default agreement has been properly executed with Ginnie Mae between the related or affiliated Issuer and the Issuer being tested. If a cross - default agreement is not in force, note a “no”.

NAME OF RELATED OR AFFILIATED ISSUER	GINNIE MAE ISSUER NUMBER	ADDRESS OF RELATED OR AFFILIATED ISSUER	CONTACT PERSON	TELEPHONE NUMBER	RELATIONSHIP OR AFFILIATION WITH ISSUER	CROSS-DEFAULT AGREEMENT (YES/NO)

List below all Ginnie Mae pools, belonging to the Related or Affiliated Issuer(s) listed above, for which your servicing personnel and/ or loan administration functions perform services:

Issuer ID #

# of Pools

Related Pool Numbers

**GINNIE MAE  
ADVANCE QUESTIONNAIRE FORM AQ-4  
DOCUMENT CUSTODIANS**

ISSUER NAME: \_\_\_\_\_

ISSUER NUMBER: \_\_\_\_\_

DATE PREPARED: \_\_\_\_\_

This schedule should be completed by the Issuer as of the date prepared. List below all Document Custodians the Issuer uses for Ginnie Mae pools or loan packages, and identify any relationship or affiliation, if any, (e.g. self-custody, other).

NAME AND LOCATION OF DOCUMENT CUSTODIAN	DOCUMENT CUSTODIAN ID NUMBER	RELATIONSHIP OR AFFILIATION WITH ISSUER, IF ANY	CONTACT PERSON	TELEPHONE NUMBER	NUMBER OF POOLS HELD BY DOCUMENT CUSTODIAN AT THE LOCATION



**GINNIE MAE  
ADVANCE QUESTIONNAIRE FORM AQ-5  
P&I CUSTODIAL AND P&I DISBURSEMENT BANK ARRANGEMENTS**

Note To Issuer:

List the bank(s) the Issuer uses for Ginnie Mae P&I custodial and P&I disbursemnt funds. Indicate whether a form HUD 11709 exists and is current. This schedule should reflect current information and be completed by the Issuer prior to the review date.

ISSUER NAME:

ISSUER NUMBER:

DATE PREPARED:

BANK NAME AND LOCATION	BANK ACCOUNT TITLE	ACCOUNT NUMBER	DOES A FORM HUD 11709 EXIST AND WAS IT CERTIFIED AS CURRENT AT END OF LAST YEAR?
			Yes_____ No_____
			Yes_____ No_____
			Yes_____ No_____
			Yes_____ No_____
			Yes_____ No_____

**GINNIE MAE**  
**ADVANCE QUESTIONNAIRE FORM AQ-6**  
**T&I AND SPECIAL ESCROW CUSTODIAL BANK ARRANGEMENTS**

Note To Issuer:

List the bank(s) the Issuer uses for Ginnie Mae T&I custodial and other escrow funds. Indicate whether a current form HUD 11720 exists and is current. This schedule should reflect current information and be completed by the Issuer prior to the review date.

ISSUER NAME:

ISSUER NUMBER:

DATE PREPARED: \_\_\_\_\_

[illegible]

**GINNIE MAE  
ADVANCE QUESTIONNAIRE FORM AQ-7  
PAYMENT CLEARING AND LOCKBOX BANK ARRANGEMENTS**

Note To Issuer:

List the bank(s) the Issuer uses for payment clearing and lockbox processing related to Ginnie Mae funds. This schedule should reflect current information and be completed by the Issuer prior to the review date.

ISSUER NAME: \_\_\_\_\_

ISSUER NUMBER: \_\_\_\_\_

DATE PREPARED: \_\_\_\_\_

[illegible]

**GINNIE MAE  
ADVANCE QUESTIONNAIRE FORM AQ-8  
IN-HOUSE SYSTEM**

ISSUER NAME: \_\_\_\_\_

ISSUER NUMBER: \_\_\_\_\_

DATE PREPARED: \_\_\_\_\_

NOTE "N/A" ON THIS SCHEDULE IF AN IN-HOUSE SYSTEM IS NOT USED FOR GINNIE MAE POOL SERVICING.

COMPLETE THE FOLLOWING IF GINNIE MAE POOL SERVICING IS DONE IN-HOUSE	
INQUIRY	DESCRIPTION
<b>ORGANIZATION:</b>	
1) Data Processing contact name	1)
2) Installation address	2)
3) Number of staff in Data Processing department	3)
<b>HARDWARE:</b>	
4) Computer manufacturer and model	4)
Magnetic storage media (Circle yes or no):	
5) Magnetic tape      yes      no	N/A
6) Compact Disk      yes      no	N/A
7) Diskettes      yes      no	N/A
8) Other      yes      no	N/A
<b>SOFTWARE:</b>	
9) Operating system	9)
10) Communications software	10)
11) Major programming language	11)
12) Inquiry/report writer packages available	12)

\_\_\_\_\_  
**ISSUER REPRESENTATIVE SIGNATURE**

\_\_\_\_\_  
**DATE**

\_\_\_\_\_  
**TITLE**

**GINNIE MAE  
ADVANCE QUESTIONNAIRE FORM AQ-9  
SERVICE BUREAU**

ISSUER NAME: \_\_\_\_\_

ISSUER NUMBER: \_\_\_\_\_

DATE PREPARED: \_\_\_\_\_

COMPLETE THE FOLLOWING IF GINNIE MAE POOL SERVICING IS DONE BY A SERVICE BUREAU.				
INQUIRY		DESCRIPTION		
1) Name and address of service bureau	1)			
2) Number of years the service bureau has been used?	2)			
3) Is a third party report (e.g., SAS-70 or ISO 9000) on the computer service bureau provided to the Issuer?	3)	Yes	No	
4) If a third party report is provided, is the report reviewed by the Issuer?	4)	Yes	No	N/A

\_\_\_\_\_  
**ISSUER REPRESENTATIVE SIGNATURE**

\_\_\_\_\_  
**DATE**

\_\_\_\_\_  
**TITLE**

## *OVERVIEW OF RISK-BASED REVIEW PROCESS*

The Issuer and Document Custodian Risk Based Reviews are designed to assure Ginnie Mae that its Issuers and Document Custodians are operating within program standards. The process for determining which Issuer or Document Custodian to review, as well as the level of testing to be performed, is based on risk factors related to performance as measured by data from a variety of sources, including information reported to Ginnie Mae. These reports are supplemented by information added by your Ginnie Mae Account Executive.

The field review process starts with the Entrance Conference. The purpose of the Entrance Conference is to discuss the objectives of the review and to introduce members of the field review team. The Entrance Conference will also give you the opportunity to introduce your staff and to go over any additional logistical items or concerns.

Upon completion of the field review tests, Findings, if any, will be discussed with you at the Closing Conference. You will be asked to sign off on the fact that the Findings were reviewed and explained to you, whether or not you fully agree with them. A Draft Report will be provided to you for the review at the end of the Closing Conference. A Final Report will be provided within thirty days of the Closing Conference. The Final Report will include your comments regarding the Findings, if any, and the status of our Follow-up activities as of the date of the Final Report.

There are three types of Findings. The timetables associated with their resolution follow:

<b>High Risk</b>	<i>To be <u>cleared within 2 business days</u> after the Closing Conference.</i>
<b>Medium Risk</b>	<i>To be cleared within 30 calendar days after the Closing Conference.</i>
<b>Low Risk</b>	<i>To be cleared within 90 calendar days after the Closing Conference.</i>

Your response to the Findings must include a Findings Resolution Plan (FRP) describing steps you have taken to correct the problems that have been identified, as well as the steps that you will take to assure similar Findings will not occur in the future. The FRP must be prepared and submitted within the following timetable:

<b>High Risk</b>	<i>To be <u>submitted within 7 calendar days</u> after the Closing Conference.</i>
<b>Medium Risk</b>	<i>To be submitted within 30 calendar days after the Closing Conference.</i>

**Low Risk**

To be submitted within 90 calendar days after the *Closing Conference* (not required if the *Low Risk Finding* is non-recurring).

**It is important to note that, in order to meet the above timetables, you should begin to clear the Findings and prepare your FRP for submission as soon as you become aware of the Findings.**

Submit the FRP to Deloitte & Touche at the following address:

**David M. Kahrnoff  
Deloitte & Touche  
555 12<sup>th</sup> Street, NW, Suite 500  
Washington, DC 20004**

**Phone: (202) 220-2131  
Fax: (202) 638-7840**

Finally, the timetable for closing out the Findings and the FRPs are also predicated on the type of Finding:

<b>High Risk</b>	<i>No later than 21 calendar days after the Closing Conference</i>
<b>Medium Risk</b>	<i>No later than 45 calendar days after the Closing Conference</i>
<b>Low Risk</b>	<i>No later than 120 calendar days after the Closing Conference (not required if the Low Risk Finding was non-recurring)</i>

If you have any questions regarding these procedures, please discuss them with the field review team leader during the Entrance Conference.

# **EXHIBIT III**

## **CLOSING CONFERENCE PACKAGE**



# DRAFT

April 29, 2004

Mr. Jack Bluebell  
Director of Loan Administration  
XYZ Company  
15 Main Street, Suite 600  
Sacramento, CA 95800

Re: Ginnie Mae ID# 1234

Dear Mr. Bluebell:

During the period from April 26, 2004 through April 29, 2004, we performed a Special Review of the Ginnie Mae portfolio serviced by your organization. The compliance criteria for participants in Ginnie Mae's Mortgage-Backed Securities Program are set forth in the Ginnie Mae Guide 5500.3, as amended. Our procedures were performed in accordance with our contract with Ginnie Mae, which incorporates by reference Ginnie Mae's Issuer and Document Custodian Risk Based Review Procedures.

On April 29, 2004, the results of that Review were discussed at a Closing Conference with you. You signed the attached Findings indicating acknowledgment of the exceptions. These Findings are presented in the following categories:

Category

High Risk

Medium Risk

Low Risk

# DRAFT

A summary of the Findings is as follows:

## High Risk

**# 1 of 4 MBSIS Code 400094** Multifamily interest-bearing account is not styled per Ginnie Mae requirements.

Special Escrow Account #9876 is not titled as required by Ginnie Mae.

**# 2 of 4 MBSIS Code 220027** Overdrafts exist on bank statements of special escrow accounts.

Special Escrow Account #7654 bank statement for January 2004 shows an overdraft in the amount of \$200,000.

## Medium Risk

**# 3 of 4 MBSIS Code 400405** Bank statements show overdraft(s) in the Collection Clearing account(s).

The Collections Clearing Account #45678 was overdrawn in the amount of \$4,000,000 on January 13, 2004.

## Low Risk

**# 4 of 4 MBSIS Code 030085** Certain member(s) of senior management has/have not been in the position for at least two years.

The following positions have not been held by the same individual for at least two years: Loan Administration and Servicing Manager.

As discussed in the Closing Conference, you should clear the Findings in accordance with the following schedule, measured from the date of the Closing Conference:

<u>Category</u>	<u>Cleared</u>
High Risk	48 hours (2 business days)
Medium Risk	30 calendar days
Low Risk	90 calendar days

In addition, at the Closing Conference, you were informed that your Findings Resolutions Plan (FRP) should be developed and submitted to Deloitte & Touche in Washington, DC with the goal of receiving approval of the FRP in accordance with the

# DRAFT

following schedule, measured in calendar days from the date of the Closing Conference:

<u>Category</u>	<u>FRP Submitted</u>	<u>Close-out</u>
High Risk	7 days (a)	21 days (a)
Medium Risk	30 days	45 days
Low Risk	90 days (b)	120 days (b)

(a) You must take immediate action to clear High Risk Findings, as soon as possible, without waiting for the Final Report to be issued. Note that in your submission of the FRP for any High Risk Findings, you should provide documentation confirming that each High Risk Finding has been cleared. This will be reviewed as part of the Close-out of all of the High Risk Findings.

(b) An FRP is required for a Low Risk Finding only if it is a recurring Finding, that is, listed in the previous review.

You are required to clear all Findings by correcting the problem (if the circumstances are such that it can be corrected) and taking action to assure that the situation will not occur again. Your FRP should describe the actions that you have taken and include copies of any new procedures that have been implemented.

On each FRP, as well as in any correspondence to Deloitte & Touche, please include your Ginnie Mae Issuer Identification Number. All correspondence should be sent to:

David Kahrnoff  
Deloitte & Touche LLP  
555 12<sup>th</sup> Street, NW  
Suite 500  
Washington, DC 20004  
Phone: (202) 220-2131  
Fax: (202) 638-7840

This report is intended solely for the information and use of Ginnie Mae and your organization and should not be used for any other purpose.

Very truly yours,

Deloitte & Touche LLP

David Kahrnoff  
Director

Attachment(s)

cc: Ms. Erica Smith, Vice President  
Ms. Paulette Griffin, Ginnie Mae

# **EXHIBIT IV**

## **FINAL REPORT/ APPROVAL LETTER**

May 28, 2004  
April 29, 2004

Mr. Jack Bluebell  
Director of Loan Administration  
XYZ Company  
15 Main Street, Suite 600  
Sacramento, CA 95800

Re: Ginnie Mae ID# 1234

Dear Mr. Bluebell:

During the period from April 26, 2004 through April 29, 2004, we performed a Special Review of the Ginnie Mae portfolio serviced by your organization. The compliance criteria for participants in Ginnie Mae's Mortgage-Backed Securities Program are set forth in the Ginnie Mae Guide 5500.3, as amended. Our procedures were performed in accordance with our contract with Ginnie Mae, which incorporates by reference Ginnie Mae's Issuer and Document Custodian Risk Based Review Procedures.

On April 29, 2004, the results of that Review were discussed at a Closing Conference with you. You signed the attached Findings indicating acknowledgment of the exceptions. These Findings are presented in the following categories:

Category

High Risk

Medium Risk

Low Risk

A summary of the Findings is as follows:

### High Risk

**# 1 of 4 MBSIS Code 400094** Multifamily interest-bearing account is not styled per Ginnie Mae requirements.

Special Escrow Account #9876 is not titled as required by Ginnie Mae.

**# 2 of 4 MBSIS Code 220027** Overdrafts exist on bank statements of special escrow accounts.

Special Escrow Account #7654 bank statement for January 2004 shows an overdraft in the amount of \$200,000.

### Medium Risk

**# 3 of 4 MBSIS Code 400405** Bank statements show overdraft(s) in the Collection Clearing account(s).

The Collections Clearing Account #45678 was overdrawn in the amount of \$4,000,000 on January 13, 2004.

### Low Risk

**# 4 of 4 MBSIS Code 030085** Certain member(s) of senior management has/have not been in the position for at least two years.

The following positions have not been held by the same individual for at least two years: Loan Administration and Servicing Manager.

As discussed in the Closing Conference, you should clear the Findings in accordance with the following schedule, measured from the date of the Closing Conference:

<u>Category</u>	<u>Cleared</u>
High Risk	48 hours (2 business days)
Medium Risk	30 calendar days
Low Risk	90 calendar days

In addition, at the Closing Conference, you were informed that your Findings Resolutions Plan (FRP) should be developed and submitted to Deloitte & Touche in Washington, DC with the goal of receiving approval of the FRP in accordance with the

following schedule, measured in calendar days from the date of the Closing Conference:

<u>Category</u>	<u>FRP Submitted</u>	<u>Close-out</u>
High Risk	7 days (a)	21 days (a)
Medium Risk	30 days	45 days
Low Risk	90 days (b)	120 days (b)

(a) You must take immediate action to clear High Risk Findings, as soon as possible, without waiting for the Final Report to be issued. Note that in your submission of the FRP for any High Risk Findings, you should provide documentation confirming that each High Risk Finding has been cleared. This will be reviewed as part of the Close-out of all of the High Risk Findings.

(b) An FRP is required for a Low Risk Finding only if it is a recurring Finding, that is, listed in the previous review.

You are required to clear all Findings by correcting the problem (if the circumstances are such that it can be corrected) and taking action to assure that the situation will not occur again. Your FRP should describe the actions that you have taken and include copies of any new procedures that have been implemented.

On each FRP, as well as in any correspondence to Deloitte & Touche, please include your Ginnie Mae Issuer Identification Number. All correspondence should be sent to:

David Kahrnoff  
Deloitte & Touche LLP  
555 12<sup>th</sup> Street, NW  
Suite 500  
Washington, DC 20004  
Phone: (202) 220-2131  
Fax: (202) 638-7840

This report is intended solely for the information and use of Ginnie Mae and your organization and should not be used for any other purpose.

**Follow-up note dated as of May 28, 2004:**

**We have received your response enclosing a Findings Resolutions Plan (FRP) covering the High Risk and Medium Risk Findings. The FRP indicates that the findings have been cleared and that procedures are now in place to avoid reoccurrence. We have requested that you send us additional information on the High Risk and Medium Risk Findings. We need this information to complete our review of your FRP.**

**We appreciate your assistance in resolving the Findings.**

Very truly yours,

Deloitte & Touche LLP

**David Kahrnoff**  
**Director**

Attachment(s)

cc: Ms. Erica Smith, Vice President  
Ms. Paulette Griffin, Ginnie Mae



June 1, 2004

Mr. Jack Bluebell  
Director of Loan Administration  
XYZ Company  
15 Main Street, Suite 600  
Sacramento, CA 95800

Re: Ginnie Mae ID# 1234

Dear Mr. Bluebell:

During the period from April 26, 2004 through April 29, 2004, we performed a Special Review of the Ginnie Mae portfolio serviced by your organization. The Findings raised during that Review were listed in the Final Report that we issued to you dated May 28, 2004. You have submitted a Findings Resolutions Plan (FRP) with respect to those Findings.

Pursuant to the follow-up requirements of the Ginnie Mae Issuer and Document Custodian Risk Based Review Procedures, we have reviewed the FRP to determine its appropriateness in dealing with those Findings. To be acceptable, the FRP proposed by XYZ Company (the "Participant") must, as stated in those Procedures, "detail how the Participant will modify its processes both to correct the problem, if the circumstance is of a nature which will allow for the correction of prior occurrence, and to assure (*as defined by Ginnie Mae*) that the situation referenced in the FRP will not occur again".

Based on that criterion, your FRP submitted in connection with our Second Quarter, 2004 review of the Ginnie Mae portfolio  
has been approved.

Page Two  
June 1, 2004  
Mr. Jack Bluebell

The FRP indicates that all of the Findings have been cleared in accordance with the requirements of the Ginnie Mae Issuer and Document Custodian Risk Based Review Procedures.

We appreciate your assistance in resolving the Findings.

Very truly yours,  
Deloitte & Touche LLP

David M. Kahrnoff  
Director

cc: Ms. Erica Smith, Vice President  
Ms. Paulette Griffin, Ginnie Mae